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A New Battle Over Free Trade

The next trade dogfight is gearing up on Capitol Hill, this time over a trade pact with six Central American countries that altogether have a combined economy smaller than Connecticut's. The Central American Free Trade Agreement, or Cafta, would open up trade between the United States and El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica and the Dominican Republic. It's far from a perfect trade pact, if any such thing ever existed. But Cafta still deserves to be approved.

Opponents include many Democrats, labor unions and America's sugar industry, and some of their arguments are much better than others. One of the most powerful lobbying groups, the sugar industry, complains that Cafta would bring 109,000 tons of sugar imports into the country every year to compete with the local product. This is true, and to that we say, "Bring it on." The American sugar beet industry is one of the most coddled farm sectors in the world, and that's saying something. American consumers are paying inflated prices for sugar, and it is unfortunate that Cafta won't do more to redress that situation. As it is, the new Central American sugar would account for only 1 percent of consumption here.

A complaint that is far more worrisome is that the Bush administration didn't push the Central American countries to link labor rights more forcibly to the trade agreement. The pact does include a provision for fining countries that are not enforcing labor laws, but the administration could have done better. Nevertheless, Cafta would still be a win for Central American workers. More factory jobs in these poor countries would do wonders to provide low- or no-income people with options. Denying poor people in Central America the benefits of better access to the American market is certainly not the way to lift them out of poverty.

The most compelling argument against Cafta, however, is that it would siphon away American manufacturing jobs to Central America. That is happening anyway - industries like textile manufacturing will continue to migrate to lower-wage nations. The economic reality of our increasingly interconnected world is that countries are best off if they lower trade barriers and try to specialize in producing the goods in which they have a comparative advantage. Places like the United States and Europe have no business trying to compete with El Salvador over who can make the cheapest T-shirts.

Poor countries have low-wage labor for unskilled manufacturing. America and Europe have the advantage in businesses that call for high-tech, high-skilled workers, good transportation and a sophisticated legal system. That classic free trade formula, for all the short-term pain it causes, provides for an overall gain in general economic prosperity.

None of that is an excuse for ignoring American workers who are hurt in the process. President Bush should, for example, couple his push for Cafta with a promise to put more money, and teeth, into America's underfinanced, lackluster Trade Adjustment Assistance program, which is supposed to help workers whose jobs shift overseas because of trade.

Deputy Secretary of State Robert Zoellick said in a recent speech that it would be wrong to "leave hundreds of thousands of Central Americans in poverty and helplessness because of the shortsighted protectionism of U.S. labor unions." He was right. But he should have gone a step further. We must also decide to help the American workers whose jobs are heading south, so that they, too, might benefit from the new world of global free trade.